



Introductory Section

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List of Principal Officials

Government of the District of Columbia
Office of the Chief Financial Officer

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
Year Ended September 30, 2000

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January 26, 2001

Dr. Natwar M. Gandhi
Chief Financial Officer

Management Responsibility

The comprehensive annual financial report of the Government of the District of Columbia for the fiscal year ended September 30, 2000, is herewith submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the District. To the best of my knowledge and belief, the enclosed financial statements and schedules are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds, account groups, and component units of the District. This report includes all disclosures necessary to enable the reader to gain an understanding of the District's financial activities.

Report Sections

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the District's organizational chart, a list of principal officials and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. The financial section includes the general purpose financial statements, the combining and individual fund statements and schedules, and the independent auditors' report on the general purpose financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multiyear basis.

Financial Reporting Entity

A financial reporting entity consists of a primary government and its component units. The primary government is the District, which consists of all the organizations that make up its legal entity. The District of Columbia Financial Responsibility and Management Assistance Authority (Financial Responsibility Authority) is presented as a blended component unit, as required by generally accepted accounting principles (GAAP) applicable to governmental entities.

The Public Benefit Corporation, Water and Sewer Authority, Convention Center, Sports Commission, Housing Finance Agency and University of the District of Columbia are legally separate organizations for which the elected officials of the District are financially accountable. The financial data of these component units are reported separately from the financial data of the primary government.

The District of Columbia Housing Authority is a legally separate organization for which the District is not accountable until it begins to appoint a voting majority of the board after receivership terminates. The Housing Authority was placed into receivership by order of the Superior Court of the District of Columbia on May 19, 1995. It was returned to the District's control in September 2000. Transactions between the Housing Authority and the District are presented in the notes to the financial statements.

The Washington Metropolitan Area Transit Authority is a legally separate organization that is owned, operated and governed by Maryland, Virginia and the District as a joint venture in which the participants retain an ongoing financial responsibility. Transactions between the Transit Authority and the District are presented in the notes to the financial statements.

Economic Condition and Outlook

As the nation's capital, the District of Columbia is the seat of the three branches of the federal government and headquarters for most federal departments and agencies. The federal work force in the District averaged 183,570 employees in 1999 while an additional 142,000 federal employees worked elsewhere in the metropolitan area. This represents a 4% decrease in the federal work force of 195,540 in 1996. Although both the District and the federal governments employ fewer people, the revitalization of the District's economy is continuing.

In addition to its role as the Nation's Capital, the District hosts more than 175 foreign embassies and recognized diplomatic missions. A number of international organizations have their headquarters in the District, including the International Monetary Fund, the World Bank, the Inter-American Development Bank, and the Organization of American States.

More than 400 museums and historical landmarks attract millions of visitors to Washington, D.C. each year. In addition to the popular attractions along the national Mall, the monuments to presidents and the memorials of war, tourists visiting Washington also discovered their American heritage at the National Arboretum and the Kenilworth Aquatic Gardens in Northeast Washington, at Fort Stevens and the National Museum of Health and Medicine at the Walter Reed Army Medical Center on the Georgia Avenue Corridor, and at the Congressional Cemetery and Fort Dupont Park in Southeast. With its variety of activities and rich history, Washington, D. C. was voted a top destination for family travelers in the spring of 2000.

In 1998, approximately 21.2 million people visited the Washington area and spent a total of \$5.91 billion for lodging, meals, retail purchases and services. This direct visitor spending generated additional activity through indirect local economic growth in the form of jobs in related industries, wages and tax revenues.

Although many people assume that the District is filled only with life-long politicians and government workers, the city has developed into a diverse economic community, as service industries overtake the federal government as the employment base. Expansion in legal services, high-speed Internet technology and communications provide employment. The District is home to several major institutions of higher learning, and other universities from across the nation have established programs or campuses in and around the city. The District has 18 acute and long-term care facilities, including medical centers and hospitals for children and members of the military, and a regional shock and trauma center. The headquarters of more than 2,500 national trade associations, voluntary societies and labor organizations are also located in the District. The vacancy rate for commercial office space is the lowest in 10 years.

Total employment in the metropolitan area was 2,629,600 in 1999 and 2,249,800 in 1998. Because this number excludes self-employed, domestic workers, military, and foreign government personnel, it excludes significant portions of the actual work force employed in the region. District employment stayed at approximately 23% of the area total during both years. The November unemployment rate in the District was 5.7% compared to 5.9% in September 1999.

Total employment within the District increased to 619,900 in 2000 from 616,400 in 1999. The government portion of District jobs decreased at the same time that total employment increased, suggesting that new jobs occurred in the private sector. Private sector employment in 1999 increased slightly in the areas of services and finance, insurance, and real estate.

Current development projects in retail, entertainment, tourism, and housing support the expectation of additional growth in private sector employment over the next several years. A number of national retail and food service chains have already moved into renovated commercial spaces across the central business district, and similar projects are appearing in surrounding areas. XM satellite radio recently celebrated the grand opening of its new headquarters at the end of the New York Avenue technology corridor, and MCI WorldComm and Qwest communications have agreed to establish data warehouses nearby.

Preliminary estimates indicate that between now and 2005, District employers will have a high demand for workers below the managerial, professional, and technical levels. Hundreds of positions are expected to open in the service sector, particularly in food service, janitorial, and housekeeping positions. Administrative support staff, including first line supervisors, will also be in high demand.

The anticipated increase in total employment marks an important milestone in the District's shift to an economy that is stable and less dependent on the federal government. It appears that the trend for federal operations to move into suburban areas is slowing, and the District's economic base is continuing its shift from government towards private sector services employment. Of even greater impact would be the increased percentage of District residents who occupy these jobs.

The official U.S. Census counted 572,059 District residents in 2000, indicating that estimates of flight from the District had been overstated in Census estimates during the last several years. Actual population loss was 5.7% over the last ten years,

almost 60% less than the estimated losses predicted by the Census. Those same estimates predicted that the District population would not reach its current level for approximately five more years. The city's population decreased 16% between 1970 and 1980, and an additional 5% between 1980 and 1990.

The District also has a significant number of lower income residents with 19.7% of the population in poverty according to a 1999 census report and 24% of the population receiving Medicaid benefits in 1997. Food stamp program participation covered 114,636 persons in 1998, or 22% of the population.

Major Initiatives

The new Washington Convention Center, currently in its third year of construction, is scheduled to open in March of 2003, it is expected to provide the District with 725,000 square feet of additional meeting and exhibition space. In 1995, the District established the Washington Convention Center Authority to operate the existing convention center and to construct a new convention center using dedicated tax revenues. With the existing facility, the total exhibitor and meeting space will exceed 1,000,000 square feet. These facilities will enable the District of Columbia to maintain its position among major cities as a leader in conventions, conferences and the hospitality industry in general. Like the MCI Center, a privately financed sports arena that opened in 1997, the Convention Center project will provide not only opportunities for direct employment in its operations, but is expected to create new jobs in the District's hospitality industry.

The Freedom Forum, currently based in northern Virginia, has arranged to purchase the site of the District's Department of Employment Services (DOES). In addition to its main offices, the Freedom Forum will bring its Newseum, an interactive news museum, expand exhibit space to 300,000 feet, and develop both an additional 30,000 square feet of retail space and approximately 100 condominiums. The cash price of approximately \$100 million includes a minimum of \$50 million designated for the development of affordable housing and neighborhood commercial revitalization. In keeping with the District's neighborhood revitalization strategy, DOES operations will be transferred to another area of the city currently targeted for development.

While building on the already popular tourism industry, projects such as these only partially address the District's need to build a strong economic base. Both the U.S. Congress and the D.C. Council have enacted legislation that reaches towards expansion of the District's permanent tax base by making all areas of the city economically attractive to both residents and new business interests.

The Taxpayer Relief Act of 1997 (PL 105-34) established the District of Columbia Enterprise Zone through December 31, 2002. The new zone consists of the previously existing enterprise community plus all other census tracts for which the poverty rate is at least 20%. The law also increased the limitation on tax-exempt economic development bonds to \$15 million; eliminated the federal capital gains tax through December 31, 2007 on business stock, partnership interest, and business property held for more than five years in all census tracts for which the poverty rate is at least 10%. The federal Homebuyer Tax Credit, which provides a maximum \$5,000 federal income tax credit for first-time buyers of principal residences, was also included in the original Taxpayer Relief Act of 1997; it has since been extended for purchases closed through December 31, 2003, as were the business tax benefits.

The Tax Parity Act of 1999 lowered taxes on both income and real property. The new tax rates are expected to make the District more competitive with the suburban jurisdictions. The Tax Clarity Act of 1999 streamlined the tax code, eliminating duplications and discrepancies. During the same period, real property tax assessments have continued to reverse their decline and collections of both current and delinquent taxes have increased.

Additional business incentive legislation is awaiting final approval by the District and the U.S. Congress. The E-Economy Transformation Act of 2000 encourages new high technology firms to locate their operations in the District while encouraging the hiring of District residents as employees. Brownfields redevelopment program legislation, which has proven successful in other jurisdictions, limits liability for certain environmental contamination and establishes funding mechanisms for those willing to develop brownfields sites.

The Office of the Chief Financial Officer negotiated and certified three new projects for participation in the Tax Increment Financing (TIF) Program this year. Because the final terms of TIF are determined project-by-project, the District is able to influence certain conditions of each operation, including the percentage of District residents employed both during and after construction. Twelve industrial revenue bonds provided another \$602 million for local development projects. Buoyed by the recent successes on the New York Avenue technology corridor, the District is actively proceeding with plans to restructure the economic base of underserved neighborhoods throughout the District. Surplus school properties have been sold and local

redevelopment options for both residential and retail investment are under discussion for a variety of sites outside of the central business area.

The National Capital Revitalization and Self-Government Improvement Act of 1997 (Revitalization Act) became effective on October 1, 1997. The Revitalization Act created many financial and structural changes between the District and the federal government. The federal Medicaid reimbursement rate was increased to 70% from 50%. The debt service limitation was increased to 17% of general fund revenues from 14%. The federal government assumed pension costs for services rendered prior to July 1, 1997. The federal payment in lieu of taxes was eliminated and a variable federal contribution may be provided as necessary to reflect restrictions and unusual costs imposed on the District. The District's court and felony offender systems were transferred to the federal government.

A significant portion of the budget for FY 2000 focused on completing a backlog of infrastructure and service delivery needs. The Public School System requested the largest increase of any agency, in order to address needs in both programs and facilities, particularly for special education students, and physical plant.

The District of Columbia College Access Act (PL 106-98) authorized the District to underwrite a portion of the differences between in-state and out-of-state tuition rates for eligible District residents who attend certain institutions outside of the District. Additional federal incentives under separate legislation provide a variety of support to those who adopt children from the District's foster care system, including tax credits and health care coverage.

An annual reserve of \$150 million is required to be set aside from any surplus at the end of the fiscal year. These funds may be used for one-time, extraordinary items, with the approval of the Authority and the U.S. Congress. They may not be used for operating expenses. Funds received from the Tobacco Settlement will be segregated for certain bond issues. The bond proceeds will be used to retire debt.

The District must also build and maintain an emergency cash reserve equaling 4% of the total budget allocated for operating expenditures by FY2004. An additional contingency cash reserve must be established, which must equal 3% of the total budget allocated for operating expenditures. Beginning in FY 2007, the District will be required to maintain a combined balance of 7% for both reserves.

The control of the majority of daily operations was transferred back to the Mayor of the District of Columbia from the Financial Responsibility Authority. Another receivership is scheduled to be returned this year. Most importantly, the District's control period is likely to be suspended upon certification of achieving the following four financial and economic actions: 1) The discharge of any obligations made by the Financial Responsibility Authority on behalf of the District; 2) The repayment of any borrowings from the U.S. Treasury by or on behalf of the District; 3) Adequate access to both the short and long-term credit markets; 4) Four consecutive general fund surpluses, as determined through generally accepted accounting principals (GAAP).

Accounting System

The District's accounting system is organized and operated on a fund basis. A fund is a group of functions combined into a separate accounting entity (corresponding to a corporation in the private sector) having its own assets, liabilities, equity, revenues, and expenditures/expenses. The types of funds used are determined by generally accepted accounting principles. The number of funds established within each type is determined by principles of sound financial administration. Specialized accounting and reporting principles and practices apply to governmental and expendable trust funds. Proprietary, component units, and pension trust funds are accounted for in the same manner as similar business enterprises or non-business organizations.

Internal Control

Management of the Government of the District of Columbia is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data are processed and summarized to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Control

The District maintains budgetary controls designed to monitor compliance with expenditure limitations contained in the annual appropriated budget approved by the United States Congress. A project-length financial plan is adopted for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by function within the General Fund. The District also maintains an encumbrance recording system as one technique of accomplishing budgetary control. Generally, encumbered amounts lapse at year-end in the General Fund but not in the Capital Projects Funds.

The annual appropriated budget is enacted on a basis that is not consistent with generally accepted accounting principles (GAAP) because of differences that result from budgeting inventory, Medicaid (through 1996), and certain pensions, certain other employee benefits, and other expenditures on a cash basis, and from budgeting dedicated tax revenues to the benefiting fund rather than to the fund with the authority to levy and collect the tax. The budgetary general fund differs from GAAP by including the Financial Responsibility Authority special revenue fund and the University discretely presented component unit and by excluding the Correctional Industries and Retirement Board. The Financial Responsibility Authority recognizes budgetary expenditures when orders and contracts are issued rather than when goods and services are received.

As with the financial section, all amounts presented in the remainder of this letter are expressed in thousands. Certain 1999 amounts have been reclassified for comparability.

General Fund

The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus.

Table 1 – General Fund Operations Summary (\$ in 000's)

	2000	1999	Increase/ (Decrease)	Percent
Revenues	\$ 5,304,942	4,779,609	525,333	11.0 %
Expenditures and net uses	5,064,215	4,923,515	140,700	2.9
Excess (Deficiency)	<u>\$ 240,727</u>	<u>(143,906)</u>	<u>384,633</u>	<u>267.3 %</u>

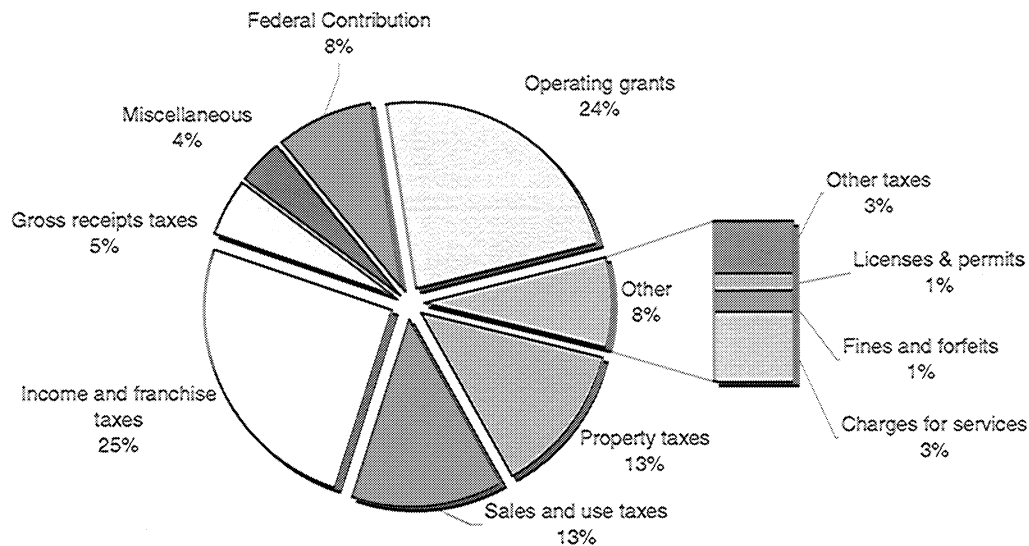
The General Fund had a positive total fund balance of \$464,937 on September 30, 2000, represented by assets of \$1,611,580 less liabilities of \$1,146,643. The fund balance is reserved in the amount of \$474,583 for those funds that are not available for general expenditure within one year. The General Fund operations are summarized in Table 1. The General Fund changes in cash and investments are summarized below in Table 2. Table 3 presents revenues by source class for the current year and the amount and percentage of increases and decreases in relation to prior year revenues.

Table 2 – Changes in Cash and Investments (\$ in 000's)

	2000	1999	Increase/ (Decrease)	Percent
Cash receipts	\$ 5,465,082	5,377,845	87,237	1.6 %
Cash payments	5,201,740	5,352,282	(150,542)	(2.8)
Increase	<u>\$ 263,342</u>	<u>25,563</u>	<u>237,779</u>	<u>930.2 %</u>

Table 3 – Revenues by Source Class (\$ in 000's)

Source Class	2000		Increase (Decrease) from 1999	
	Amount	Percent	Amount	Percent
Property taxes	\$ 692,781	13.1 %	\$ 13,231	1.9 %
Sales and use taxes	698,861	13.2	21,838	3.2
Income and franchise taxes	1,338,564	25.2	168,813	14.4
Gross receipts taxes	256,033	4.8	37,128	17.0
Other taxes	141,610	2.7	(5,723)	(3.9)
Total taxes	3,127,849	59.0	235,287	8.1
Licenses and permits	44,446	0.8	(3,801)	(7.9)
Fines and forfeits	54,865	1.1	7,071	14.8
Charges for services	174,438	3.3	(102,242)	(37.0)
Miscellaneous	214,518	4.0	42,928	25.0
Total District sources	3,616,116	68.2	179,243	5.2
Federal Contribution	435,381	8.2	277,413	175.6
Operating grants	1,253,445	23.6	68,677	5.8
Total Federal sources	1,688,826	31.8	346,090	25.8
Total revenues	\$ 5,304,942	100.0 %	\$ 525,333	11.0 %

Figure 1 – Revenue by Source Class

The Table 4 summary presents expenditures and uses by function for the current year and the amount and percentage of increases and decreases in relation to prior year expenditures and uses. Table 5 presents current expenditures by object class for the current year and the amount and percentage of increases and decreases in relation to prior year current expenditures.

Table 4 Expenditures and Uses by Function (\$ in 000's)

Function	2000		Increase (Decrease) From 1999	
	Amount	Percent	Amount	Percent
Current expenditures:				
Governmental direction	\$ 247,664	4.9 %	\$ (82,124)	(24.9) %
Economic development	180,443	3.5	18,619	11.5
Public safety and justice	924,843	18.3	(16,654)	(1.8)
Public education system	899,763	17.8	65,553	7.9
Human support services	1,552,495	30.7	186,029	13.6
Public works	135,067	2.7	2,337	1.8
Receiverships	366,961	7.2	(30,474)	(7.7)
Future employee benefits	13,968	0.3	(88,129)	(86.3)
Total	4,321,204	85.4	55,157	1.3
Joint Venture Subsidy	135,531	2.7	3,927	3.0
Debt service:				
Principal	220,054	4.3	(6,480)	(2.9)
Interest and fiscal charges	175,058	3.5	(23,442)	(11.8)
Other financing uses:				
Net refunding proceeds	(2,689)	(0.1)	31,610	(92.2)
Uncollectible Advances - Prior Years	41,415	0.8	41,415	-
Transfers	173,642	3.4	38,513	28.5
Total expenditures and uses	\$ 5,064,215	100.0 %	\$ 140,700	2.9 %

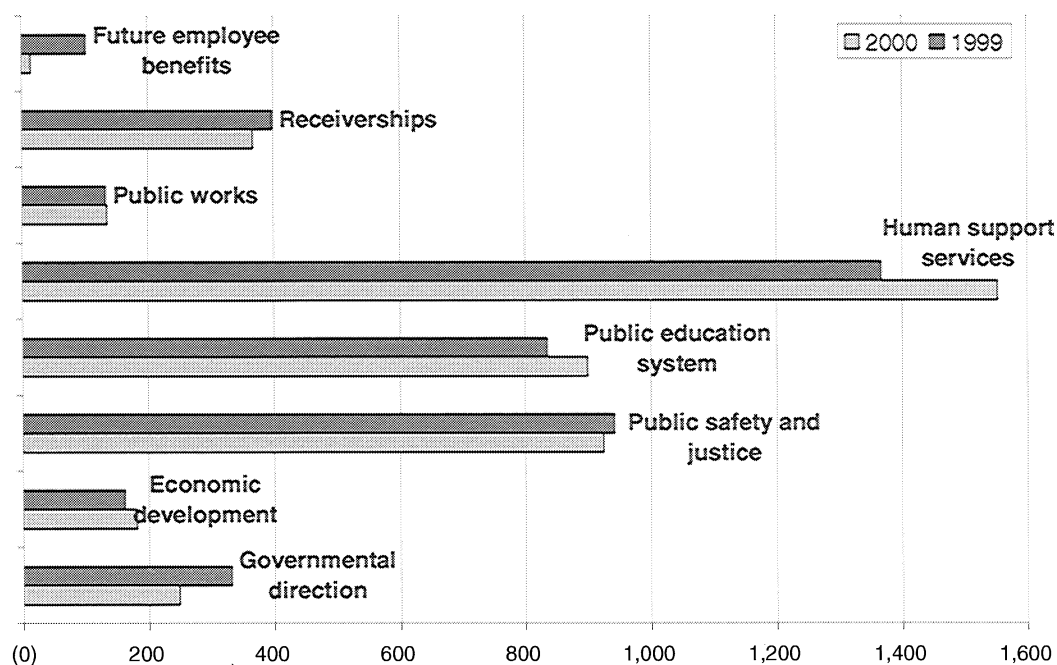
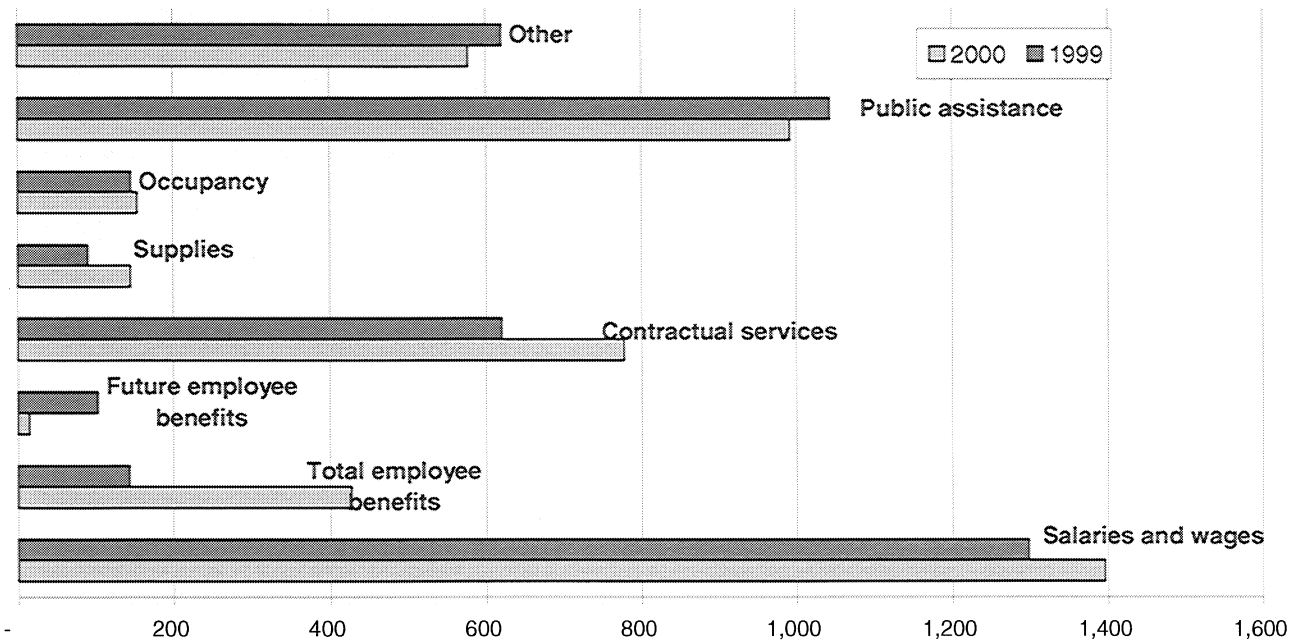
Figure 2 – Current Expenditures by Functions (\$ in 000's)

Table 5 -- Expenditures by Object Class (\$ in 000's)

Object Class	2000		Increase (Decrease) From 1999	
	Amount	Percent	Amount	Percent
Salaries and wages	\$ 1,394,643	31.1 %	\$ 98,192	7.6 %
Total employee benefits	426,859	9.5	284,075	199.0
Future employee benefits	13,968	0.3	(88,129)	(86.3)
Contractual services	777,730	17.4	157,454	25.4
Supplies	145,025	3.3	55,072	61.2
Occupancy	153,403	3.5	7,618	5.2
Public assistance	991,607	22.1	(50,812)	(4.9)
Other	577,484	12.9	(42,634)	(6.9)
Total current expenditures	\$ 4,480,719	100.0 %	\$ 420,836	268.7 %

Figure 3 – Expenditures by Object class (\$ in 000's)

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The Financial Responsibility Authority Fund is used to account for the operating activity of the District of Columbia Financial Responsibility and Management Assistance Authority. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus. The Financial Responsibility Authority operations are summarized in Table 6:

Table 6 – Special Revenue Fund (\$ in 000's)

	2000	1999	Increase/ (Decrease)	Percent
Revenues	\$ 2,936	209	2,727	1,304.8 %
Financing sources	3,140	7,012	(3,872)	(55.2)
Less Expenditures	6,019	7,221	(1,202)	(16.6)
Excess	<u>\$ 57</u>	<u>0</u>	<u>57</u>	<u>-</u>

Capital Projects Funds

The Capital Projects Funds are used to account for the purchase or construction of fixed assets that are wholly or partly financed by transfers of taxes dedicated to highway projects, capital grants, or general long-term debt. Operations are reported to show an excess or deficiency on a flow of current financial resources measurement focus.

During 2000, grants, interest, debt proceeds and transfers-into the capital projects funds totaled \$164,332 and capital outlays were \$435,336, which resulted in a shortage of revenues and other sources under expenditures of \$271,004. The capital outlays consisted primarily of \$410,928 for general fixed assets and \$2,110 for component units' fixed assets. The Capital Projects Funds had a total fund balance at the end of the year of \$458,430, of which \$65,963 is reserved for certain highway projects, \$318,913 is reserved for encumbrances, and \$73,554 is reserved for the District's commitment to fund its share of joint venture capital projects of the Washington Metropolitan Area Transit Authority.

Enterprise Fund

Enterprise funds are used to account for organizations engaged primarily or solely in selling goods or services to the general public on a continuing basis. The Lottery and Games Enterprise Fund operates a lottery and licenses charitable bingo, raffles and Monte Carlo parties. The Lottery and Games Enterprise Fund is summarized in Table 7.

Table 7 – Enterprise Fund Summary (Lottery) (\$ in 000's)

Operating Revenues	Income Before Transfers		Interfund Transfers In (Out)		Retained Earnings	
2000	2000	1999	2000	1999	2000	1999
216,134	69,497	64,301	(69,450)	(64,225)	3,275	3,228

Discretely Presented Component Units

Component units are legally separate organizations for which the elected officials of the District are financially accountable. All component units are accounted for similar to enterprise funds; therefore, operations are reported on a flow of economic resources measurement focus. The six component units are described below and summarized in Table 8.

The District of Columbia Health and Hospitals Public Benefit Corporation was created by D.C. Law 11-212 to manage and control the General Hospital, community health clinics and certain services provided by the Department of Human Services. The corporation became operational October 1, 1997. The District of Columbia General Hospital is an acute care facility utilizing 241 beds and is a major provider of health services to indigent patients. In addition to inpatient care, the hospital serviced 98,218 outpatient visits and 52,449 emergency room visits in 2000, compared to 90,612 and 52,444 in 1999, respectively.

A variety of factors have caused continuing financial difficulties for the PBC, and it is unlikely that either the Hospital or its other operations will continue in its present form. Under a joint arrangement with the Mayor, Council and Financial

Responsibility Authority, the District is seeking a vendor to assume delivery of the services currently provided by the PBC for the District's poor and uninsured residents.

The Water and Sewer Authority operates a regional sewerage system and supplies potable water from the Potomac River to the District. The unit finances the Washington Aqueduct, which is operated by the U.S. Army Corps of Engineers. District waste treatment facilities process sewage for the District and local jurisdictions in suburban Maryland and northern Virginia. Bonds issued by the Water and Sewer Authority after 1996 are not general obligations of the District and are payable solely from defined revenues and assets of the unit. However, the unit participates in new general obligation bonds that are issued by the District to refinance prior issuances in which the unit participated.

Table 8 – Discretely Presented Component Units (\$ in 000's)

	Operating Revenues	Income (Loss) Before Transfers		Transfers In From Primary Government		Retained Earnings (Deficit)	
	2000	2000	1999	2000	1999	2000	1999
Public Benefits Corporation	\$ 69,394	(160,007)	(24,995)	96,101	46,842	(167,096)	(103,190)
Water and Sewer	227,930	15,333	29,243	-	-	300,815	280,993
Convention Center	10,072	(10,641)	(7,320)	54,524	51,145	219,924	176,041
Sports Commission	7,047	(919)	(390)	-	-	7,959	8,878
Housing Finance	25,513	4,364	(8,868)	-	-	33,989	29,625
University	19,152	(54,018)	(54,108)	40,491	50,148	11,745	20,312
Total	\$ 359,108	(205,888)	(66,438)	191,116	148,135	407,336	412,659

The Washington Convention Center, located midway between the Capitol and the White House, has 378,000 square feet of exhibit and meeting space on two levels. A new convention center is under construction and scheduled to open in March 2003, and will be the sixth largest convention center in the United States. Bonds issued by the Convention Center are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The Sports Commission promotes the District as a sporting event site; coordinates development and construction of sporting facilities and related infrastructure; manages District owned facilities, including the Robert F. Kennedy Memorial Stadium and the National Guard Armory; and may own and operate a professional sports franchise. Bonds issued by the Commission are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The Housing Finance Agency issues bonds and uses the proceeds to finance residential mortgage, construction, and rehabilitation loans. Bonds issued by the Housing Finance Unit are not general obligations of the District and are payable solely from defined revenues and assets of the unit.

The University includes all activities of the University of the District of Columbia, a land-grant institution that provides low-cost courses leading to certificate, bachelor and advanced degrees in arts, sciences, teacher education, special career education and law.

The combined retained earnings of the component units was \$407,336 at September 30, 2000.

Trust Funds

Trust funds are used to account for property to which the District has legal title in order to administer it for the benefit of others. The principal portion of expendable trust funds may be expended and are reported on a flow of current financial resources measurement focus. Pension trust funds, however, must preserve their principal intact and are reported on a flow of economic resources measurement focus because capital maintenance is critical in meeting their intended financial objectives. The two trust funds are summarized in Table 9, below.

The Unemployment Compensation Fund pays benefits to unemployed former employees of the District, the federal government, and private employers that do business in the District. At September 30, 2000, the fund had a total fund balance of \$271,661.

Table 9 – Trust Fund Summary (\$ in 000's)

<u>Fund</u>	<u>Additions/ Operating Revenues</u>	<u>Deductions/ Expenditures</u>		<u>Net Increase/ Excess</u>	
	2000	2000	1999	2000	1999
Unemployment Compensation	\$ 131,895	80,896	77,368	50,999	36,951
Pension	332,201	3,800	2,300	328,401	323,488
Total	<u>\$ 464,096</u>	<u>84,696</u>	<u>79,668</u>	<u>379,400</u>	<u>360,439</u>

The Pension Trust Funds pay retirement benefits to police officers, fire fighters and public school teachers under the District Retirement Programs. These programs are contributory single employer defined benefit pension plans administered by the District. On October 1, 1997, all responsibility transferred to the federal government for the Judges plan and for the other employee groups, for service provided prior to July 1, 1997. For service provided after June 30, 1997, benefits due to police officers, fire fighters and public school teachers are funded by the District under the terms of the existing plan, with certain modifications as mandated by the Replacement Plan Act of 1998. The District made its actuarially required contribution of \$39,900 to the Police and Fire Fighters Plan and \$10,700 to the Teacher's Plan during the year ended September 30, 2000. Other employees are covered by the Civil Service or Social Security Retirement Systems, which are administered by the federal government, or by the Section 401 defined contribution plan administered by the District.

Debt Administration

Under the District of Columbia Home Rule Act as amended, no long-term general obligation debt (other than refunding debt) may be issued during any fiscal year in an amount which would cause the amount of the principal and interest paid in any fiscal year on all long-term general obligation debt to exceed 17% of the revenues of the fiscal year in which the debt is issued. The debt service percent is calculated using the highest fiscal year debt service divided by the total revenues. The debt service percent limitation was increased from 14 to 17 percent in fiscal year 1998 as a result of the National Capital Revitalization and Self-Government Improvement Act of 1997 in order to compensate for the decrease in revenues from the repeal of the annual federal payment in lieu of taxes and the loss of court revenues.

At September 30, 2000, the District's general obligation debt of \$3,109,728, excluding the Water and Sewer Authority debt, was \$2,290,272 below the legal debt limitation of approximately \$5,400,000.

The District has issued private activity bonds whose principal and interest are not general obligations of the District and are payable solely from defined revenues of private entities. These bonds provide economic incentive to construct, modernize, or enhance private entity facilities in the District, thereby supporting the economic base of the District. The bonds are not recorded as a liability of the District.

Table 10 presents the outstanding long-term general obligations of the District at September 30, 2000 and 1999. No revenue, special assessment, or overlapping debt exists. The percentage of debt to assessed value (which equals estimated actual value) and the amount of debt per capita (in dollars) are useful indicators of the District's debt position. These data for the District at September 30, 2000 and 1999 are shown in Table 11.

Table 10 – Outstanding Long Term General Obligations (\$ in 000's)

<u>Fund Type or Account Group</u>	<u>2000</u>	<u>1999</u>
General bonds	\$ 3,109,728	3,136,511
Component unit bonds	100,147	107,662
Total	<u>\$ 3,209,875</u>	<u>3,244,173</u>

Table 11 -- Debt Indicators

<u>Indicator</u>	<u>2000</u>	<u>1999</u>
Debt to assessed value	7.4 %	7.6 %
Debt per capita	\$ 5,611	6,177

During September, the District issued \$189.1 million in variable rate demand obligation bonds, which are described in Table 12. Proceeds will be used to fund \$186.7 million in capital projects and the costs related to the issuance.

Table 12 – Bonds issued during current Fiscal Year (\$ in 000's)

Issue Amount	Interest Rate	Payment Date
Series 2000A \$ 66,500	5.47	06/01/2015
Series 2000B \$122,635	5.5	06/01/2030

Cash Management

Cash from all funds of the primary government, excluding the Financial Responsibility Authority, is combined unless prohibited by law. Any cash that is not needed for immediate disbursement is invested in obligations which are guaranteed fully by the federal government, such as mutual funds of federal government obligations or repurchase agreements collateralized by federal government obligations.

The Financial Institutions Deposit and Investment Amendment Act of 1997 (D.C. Code 47-351.3) authorized the District to invest in certain obligations that may not be guaranteed by the federal government. Deposits and investments, except for investments of the Housing Finance Unit, are collateralized with securities that are held by the District or by its agent in the District's name.

Risk Management

The District retains the risk of loss arising out of the ownership of property or from some other cause, except health care and life insurance benefits for employees. A liability is established in the general fund to reflect certain contingencies; however, this balance is not intended include all assets that may be required to finance losses. Rather, losses are recognized in the affected fund when they occur.

Budgetary Compliance

Table 13 presents comparisons between actual amounts incurred and appropriated budget amounts (as amended) of the General Fund for the year ended September 30, 2000.

Table 13 – Budgetary Compliance Summary (\$ in 000's)

	Actual GAAP Basis	Nonappro- priated	Appropriated (Budget Basis)		
			Actual	Budget	Variance
Revenues and sources	\$ 5,377,081	378,080	4,999,001	5,126,403	(127,402)
Expenditures and uses	5,136,354	428,853	4,707,501	5,089,895	382,394
Excess (Deficiency)	\$ 240,727	(50,773)	291,500	36,508	254,992

Independent Audit

District law (D.C. Code 47-119) requires an annual financial audit of the District by independent certified public accountants. The audit must be conducted in accordance with auditing standards generally accepted in the United States of America and

Government Auditing Standards. The financial statements must be prepared in conformity with GAAP. The District has complied with these requirements and the independent auditors' report is included in the financial section of this report.

Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its comprehensive annual financial report for the year ended September 30, 1999. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for the preparation of state and local government financial reports.

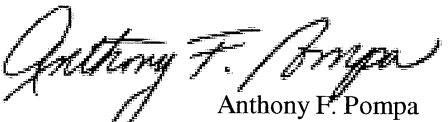
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The report must also satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The District has received a Certificate of Achievement for fifteen of the last seventeen years. The District believes that the current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements and it will be submitted to the GFOA for review.

Acknowledgments

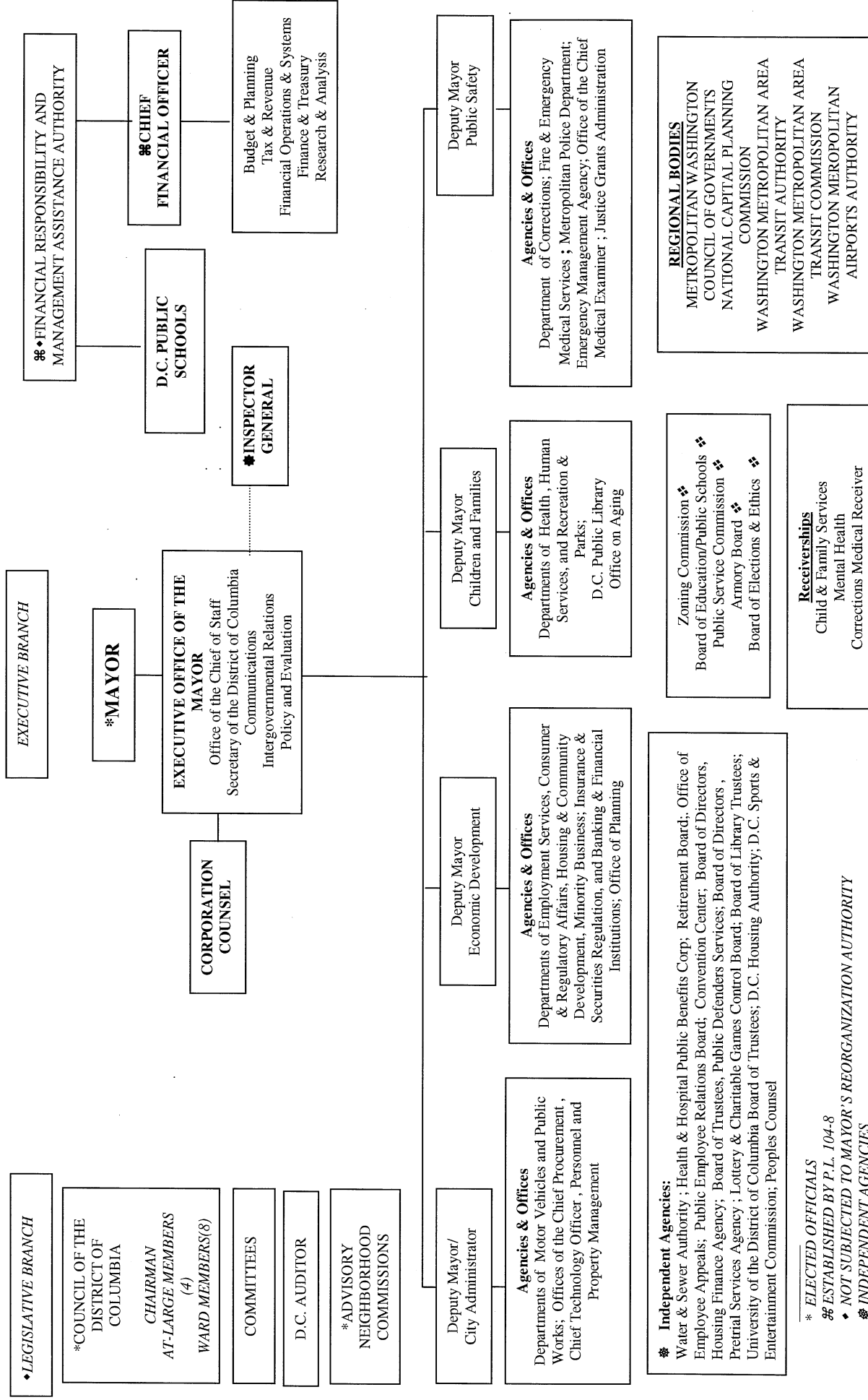
The preparation of the comprehensive annual financial report was made possible by the dedicated staff of the Office of Financial Operations and Systems. We would like to express our appreciation to each member of the staff who contributed to the preparation of this report and especially to Grace Crocker, Wilma Matthias, Bert Molina, Bill Slack, Leti Stevenson and their respective team members.

Respectfully submitted,


Anthony F. Pompa
Deputy Chief Financial Officer,
Financial Operations and Systems

GOVERNMENT OF THE DISTRICT OF COLUMBIA

Structural Organization



* ELECTED OFFICIALS
 * ESTABLISHED BY P.L. 104-8
 * NOT SUBJECT TO MAYOR'S REORGANIZATION AUTHORITY
 * INDEPENDENT AGENCIES
 * CHARTER INDEPENDENT AGENCIES

PRINCIPAL OFFICIALS

September 30, 2000

Name	Position	First Elected or Appointed	Term Expires
Chief Executive Officer			
Anthony A. Williams	Mayor	1999	2003
Council			
Linda W. Cropp	Chairman	1991	2002
Harold Brazil	At Large	1991	2001
David A. Catania	At Large	1997	2003
Phil Mendelson	At Large	1999	2003
Carol Schwartz	At Large	1997	2001
Jim Graham	Ward 1	1999	2003
John K. Evans	Ward 2	1991	2001
Kathleen Patterson	Ward 3	1995	2003
Charlene Drew Jarvis	Ward 4	1979	2001
Vincent Orange	Ward 5	1999	2003
Sharon Ambrose	Ward 6	1997	2003
Kevin P. Chavous	Ward 7	1993	2001
Sandy Allen	Ward 8	1997	2001
House of Representatives			
Eleanor Holmes Norton	Delegate	1991	2001
Executive Officers			
Dr. Natwar M. Gandhi	Chief Financial Officer		
Robert R. Rigsby	Corporation Counsel		
Dr. Abdusalam Omer	Chief of Staff		
John Koskinan	City Administrator/Deputy Mayor for Operations		
Eric Price	Deputy Mayor for Economic Development		
Carolyn Graham	Deputy Mayor for Children and Families		
Margaret Nedelkoff Kellums	Deputy Mayor for Public Safety		
Beverly D. Rivers	Secretary of the District of Columbia		
Charles C. Maddox, Esq.	Inspector General		
Anthony F. Pompa	Deputy CFO, Financial Operations and Systems		
Wayne Upshaw	Deputy CFO, Budget and Planning		
John Robinson	Acting Deputy CFO, Finance and Treasury/City Treasurer		
Dr. Julia Freidman	Deputy CFO, Research and Analysis		
Herbert Huff	Deputy CFO, Tax and Revenue		
Financial Responsibility and Management Assistance Authority			
Dr. Alice M. Rivlin	Chairperson	1998	2001
Constance B. Newman	Vice Chairperson	1995	2001
Robert P. Watkins, III	Member	1998	2001
Eugene Kinlow	Member	1998	2001
Francis S. Smith	Executive Director		

Certificate of Achievement for Excellence in Financial Reporting

Presented to

District of Columbia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 1999

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Anne Spray Kinney
President

Jeffrey L. Esser
Executive Director